

VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Investment Performance Report, Fourth Quarter Fiscal Year 2011

For information only.

Attachment

UW Investment Performance Report, Fourth Quarter Fiscal Year 2011

UNIVERSITY OF WASHINGTON

Investment Performance Report Fourth Quarter Fiscal Year 2011

As of June 30, 2011

Treasurer, Board of Regents
Treasury Office

Published August 2011

UNIVERSITY OF WASHINGTON
INVESTMENT PERFORMANCE REPORT
FOURTH QUARTER FISCAL YEAR 2011

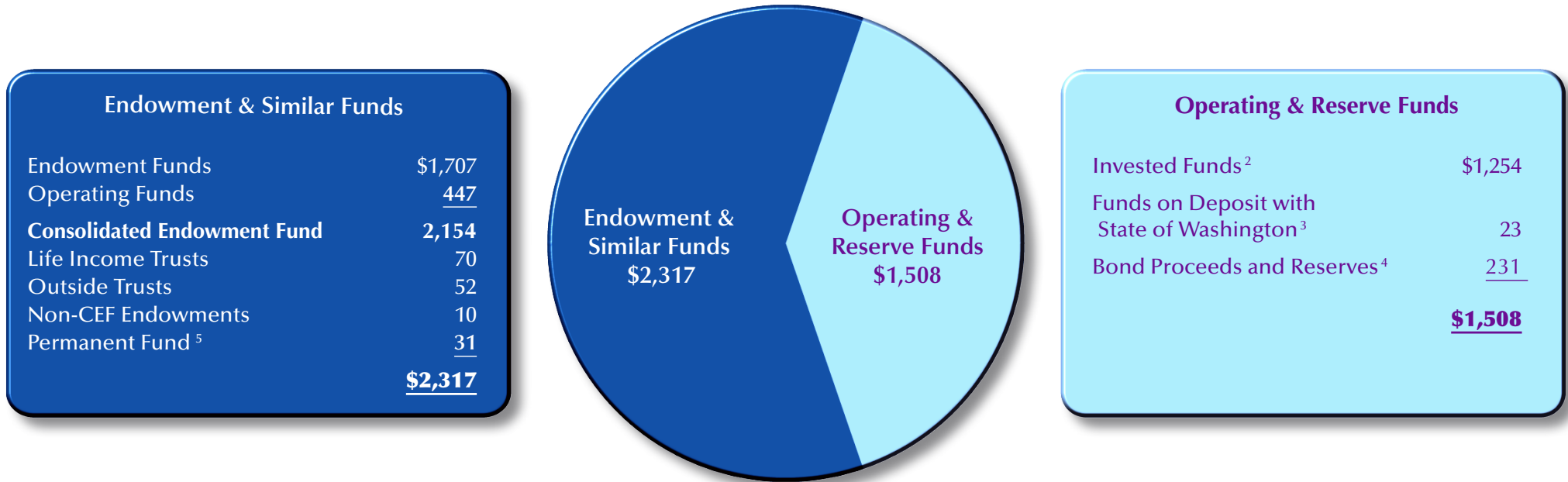
As of June 30, 2011

TABLE OF CONTENTS

Treasury Assets	1
CEF Asset Allocation	2
CEF Performance Summary	3
CEF Performance by Strategy	4
CEF Activity	5
CEF Exposures	6
Invested Funds	7
CEF Spending Update	8

TREASURY ASSETS¹ AS OF JUNE 30, 2011

\$ = millions



¹ Total market value of assets at 6/30/11: \$3.8 billion. Includes assets whose management falls under the auspices of the Finance & Audit Committee of the Board of Regents, excluding Metro Tract and Forest Trust Lands.

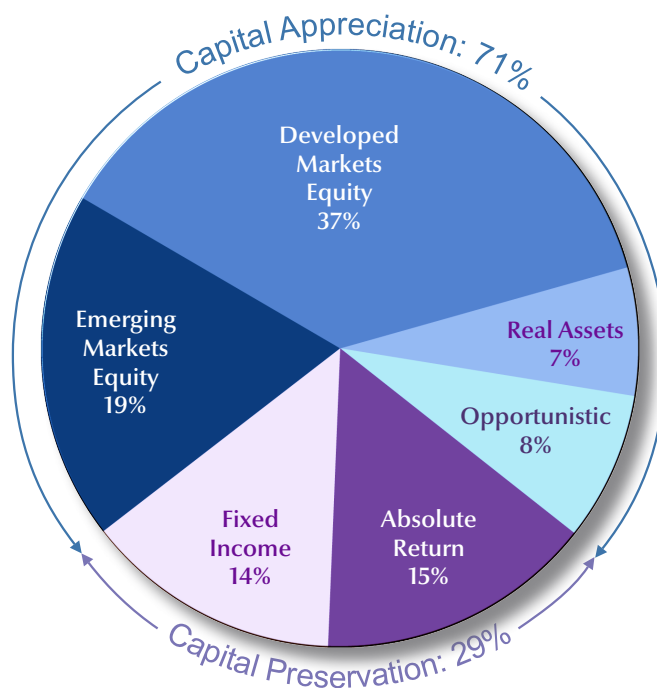
² The Invested Funds holds Consolidated Endowment Fund units valued at \$447. To avoid double counting, the dollars are included only in the CEF totals.

³ Bond Retirement Fund and Building Fund.

⁴ Debt service reserve funds and construction project funds which have not yet been disbursed.

⁵ Proceeds from sale of land grants and subsequent investment returns on deposit with the state of Washington.

CEF ASSET ALLOCATION¹ FOR THE QUARTER ENDING JUNE 30, 2011



Current Allocation (\$ = millions)			Policy	
			Target	Range
Emerging Markets Equity	\$402	19%	17%	
Developed Markets Equity	\$797	37%	36%	
Real Assets	\$156	7%	11%	
Opportunistic	\$163	8%	6%	
Capital Appreciation²	\$1,518	71%	70%	55%-85%
Absolute Return	\$331	15%	15%	
Fixed Income ³	\$306	14%	15%	
Capital Preservation	\$637	29%	30%	15%-45%
Total CEF	\$2,154	100%		

¹ Exposures at 6/30/11: International: 38%, Foreign Currency: 32%

² Private Investments: current exposure: 26%, uncalled capital commitments: 9%

³ Includes allocation to cash.

CEF PERFORMANCE SUMMARY FOR THE QUARTER ENDING JUNE 30, 2011

ROLLING YEAR RETURNS¹ (%)

	4 th Qtr FY 2011	Rolling Years		
		1-Year	5-Year	10-Year
Total CEF Return	1.1	16.0	4.7	6.7
Strategy Weighted Policy Benchmark	1.5	19.9	5.8	6.5
70% MSCI ACWI/30% BC Gov't Bond	1.0	21.8	4.9	5.7
Capital Appreciation	1.4	21.5	4.6	6.4
MSCI ACWI	0.4	30.8	3.7	5.3
Capital Preservation	0.4	3.5	4.4	6.3
BC Government Bond	2.2	2.3	6.1	5.4

¹Total Return: average annual compound return (dividend or interest plus capital appreciation or depreciation)

FISCAL YEAR RETURNS¹ (%)

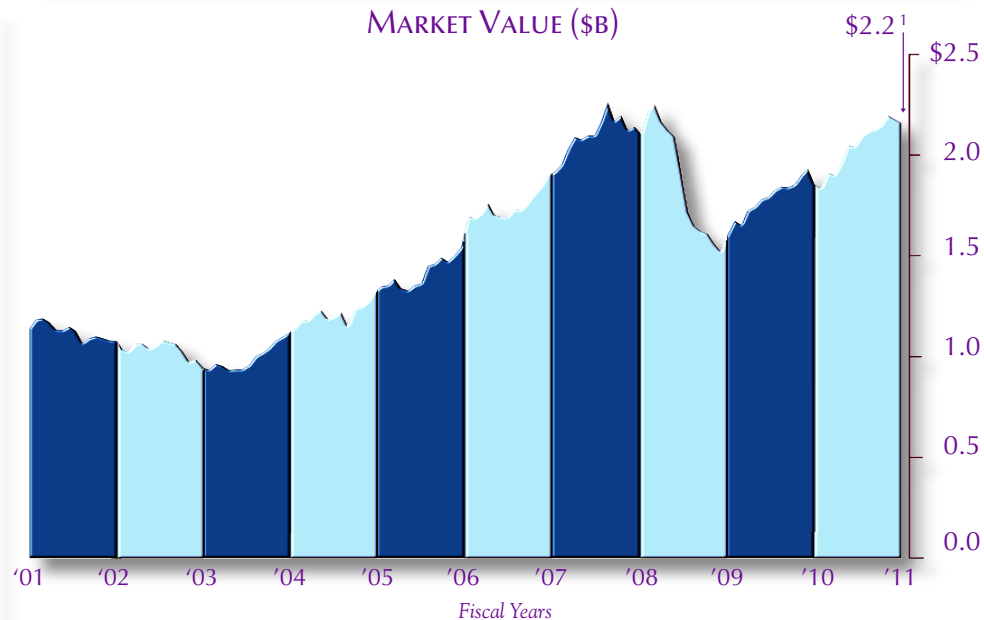
	Fiscal Years			
	2011	2010	2009	2008
Total CEF Return	16.0	12.5	-23.5	2.0
Strategy Weighted Policy Benchmark	19.9	9.8	-16.5	1.1
70% MSCI ACWI/30% BC Gov't Bond	21.8	10.9	-18.6	-3.2
Capital Appreciation	21.5	13.7	-29.2	1.0
MSCI ACWI	30.8	12.3	-28.9	-8.8
Capital Preservation	3.5	10.8	-9.6	4.0
BC Government Bond	2.3	6.5	6.6	9.7

¹Total Return: average annual compound return (dividend or interest plus capital appreciation or depreciation)

PEER COMPARISON

Data not available
at press time

MARKET VALUE (\$B)



¹Reflects inclusion of IF units in CEF, starting 2001. Value without IF units would be \$1.7

CEF PERFORMANCE BY STRATEGY

Total Return¹ as of June 30, 2011

		4 th Qtr FY '11	1 Year	3 Years	5 Years	10 Years
Consolidated Endowment Fund		1.1	16.0	0.0	4.7	6.7
Capital Appreciation	Capital Appreciation	1.4	21.5	-0.7	4.6	6.4
	MSCI ACWI	0.4	30.8	1.5	3.7	5.3
	Emerging Markets Equity	0.7	27.7	6.4	15.6	18.9
	MSCI EMF	-1.0	28.2	4.5	11.8	16.5
	Developed Markets Equity	1.4	23.1	0.6	3.5	5.4
	MSCI World	0.7	31.2	1.0	2.8	4.5
	Real Assets ²	3.4	13.4	-7.4	1.7	—
	NCREIF Property Index ²	3.4	16.0	-3.6	3.5	—
	CA Natural Resources ²	4.4	21.2	6.8	14.4	—
	Opportunistic ³	0.7	11.3	—	—	—
MSCI ACWI	0.4	30.8	—	—	—	
Capital Preservation	Capital Preservation	0.4	3.5	1.2	4.4	6.3
	BC Government Bond	2.2	2.3	5.1	6.1	5.4
	Absolute Return (including historic MAS returns)	0.4	7.1	2.9	6.3	8.1
	HFRI Conservative plus historic MAS benchmark)	-0.8	5.2	3.0	4.4	5.0
	Fixed Income	0.5	1.2	1.0	3.1	4.2
BC Government Bond	2.2	2.3	5.1	6.1	5.4	
Public Market Indices						
	S&P	0.1	30.7	3.3	2.9	2.7
	NASDAQ	-0.3	31.5	5.0	4.1	2.1
	MSCI EAFE	1.8	30.9	-1.3	2.0	6.1
	BC High Yield	1.1	15.6	12.7	9.3	9.0
	CG World Bond Index (unhedged to USD)	3.3	10.5	5.8	7.3	7.9

¹ Total Return: average annual compound return (dividend or interest plus capital appreciation or depreciation)

² Reported on a quarter lag.

³ New strategy reflecting data starting 7/1/2010.

CEF ACTIVITY AS OF JUNE 30, 2011

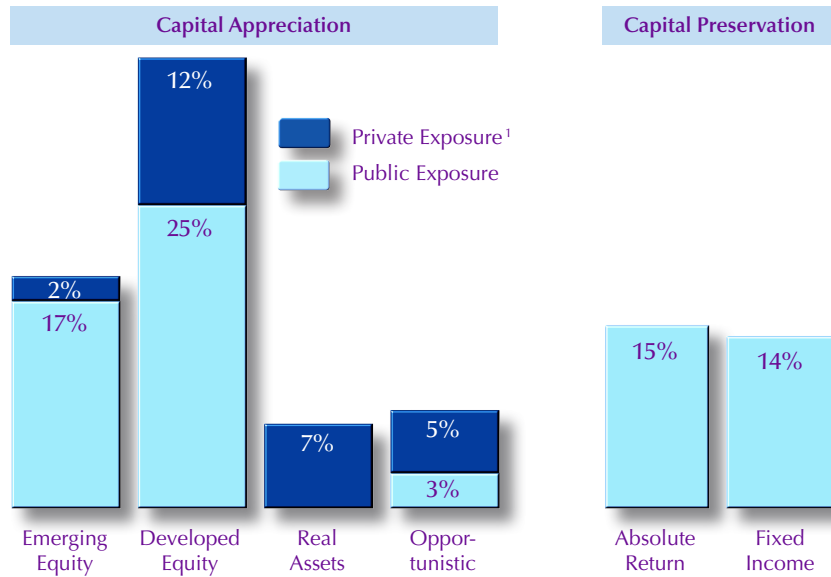
\$ = millions

	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>5 Years</u>	<u>10 Years</u>
Beginning Balance	\$1,830	\$1,649	\$2,161	\$1,690	\$1,088 ¹
Gifts	63	43	84	355	636
Transfers	5	5	10	37	84
Total Additions	\$68	\$48	\$94	\$392	\$721
Operating Funds Purchases	51	8	3	121	207
Net Investment Return	301	201	(515)	431	987
Distributions	(76)	(59)	(75)	(385)	(697)
Administrative Fees	(4)	(4)	(4)	(19)	(31)
Advancement Support	(16)	(14)	(14)	(76)	(122)
Ending Balance	\$2,154	\$1,830	\$1,649	\$2,154	\$2,154
Net Change	\$325	\$181	(\$512)	\$465	\$1,066

¹ Restated to reflect Invested Funds investment in CEF formalized through purchase of CEF units July, 2001.

CEF EXPOSURES FOR THE QUARTER ENDING JUNE 30, 2011

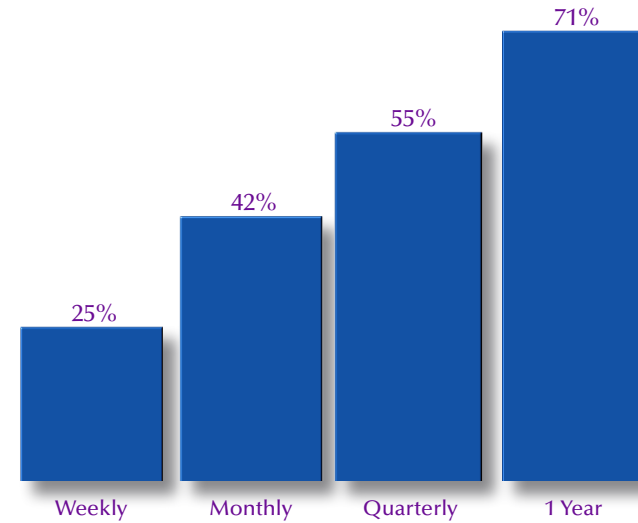
PUBLIC/PRIVATE EXPOSURE BY STRATEGY



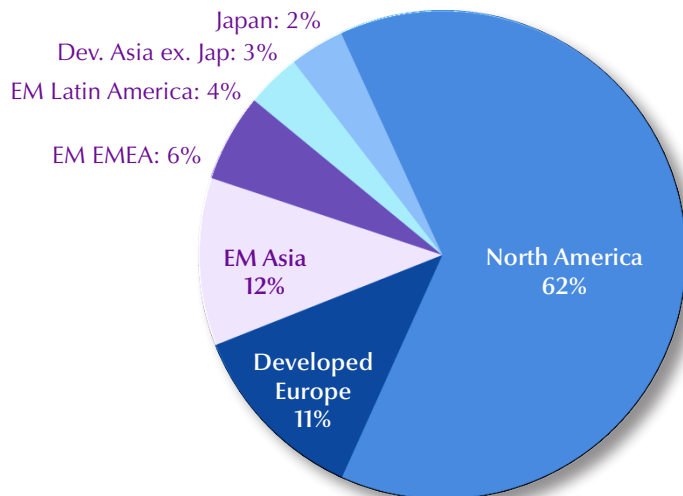
¹ 26% current exposure to private investment and 9% uncalled capital commitments.

SHORT-TERM LIQUIDITY ESTIMATES

AS % OF CEF

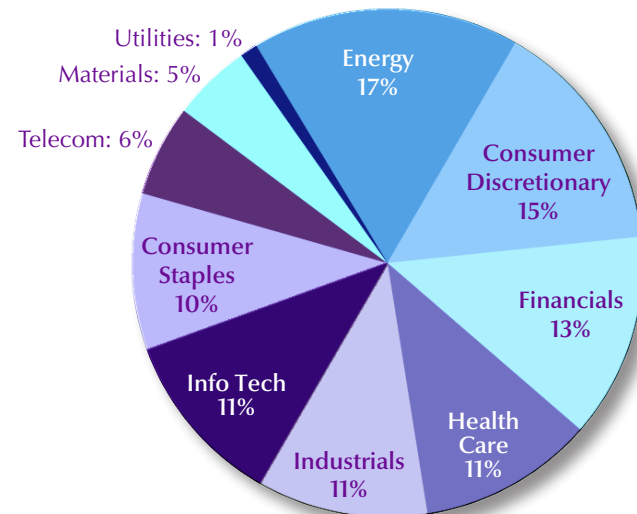


GEOGRAPHIC EXPOSURE¹



¹ At 6/30/11 foreign currency exposure: 32%.

EQUITY SECTOR EXPOSURE¹



¹ Emerging Markets, Developed Markets, Real Assets and select Absolute Return equity.

INVESTED FUNDS FOR THE QUARTER ENDING JUNE 30, 2011

TOTAL RETURN¹ (%)

	4 th Qtr FY 2011	1-Year	5-Year	10-Year
IF including CEF units	1.1	5.5	4.5	5.0
Weighted Benchmark	1.3	6.3	5.2	5.1
IF excluding CEF units	1.1	1.9	4.6	4.3
Weighted Benchmark	1.2	1.7	4.9	4.4
Cash	0.1	0.3	3.5	3.4
Cash Benchmark ²	0.0	0.1	3.3	3.2
Liquidity	1.9	3.0	5.1	4.7
LB Intermediate Govt Bond	2.1	2.7	5.9	5.0

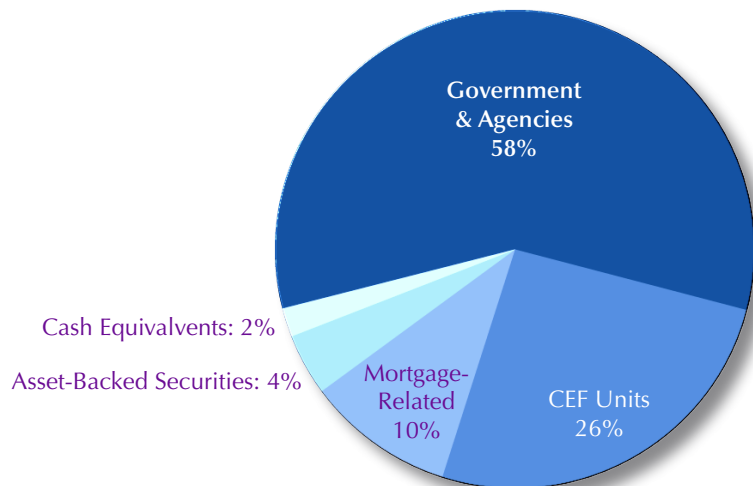
¹ Total Return: average annual compound return (dividend or interest plus capital appreciation or depreciation)

² Citi 2-year Treasury prior to 10/1/2008; 3 month T-Bill thereafter.

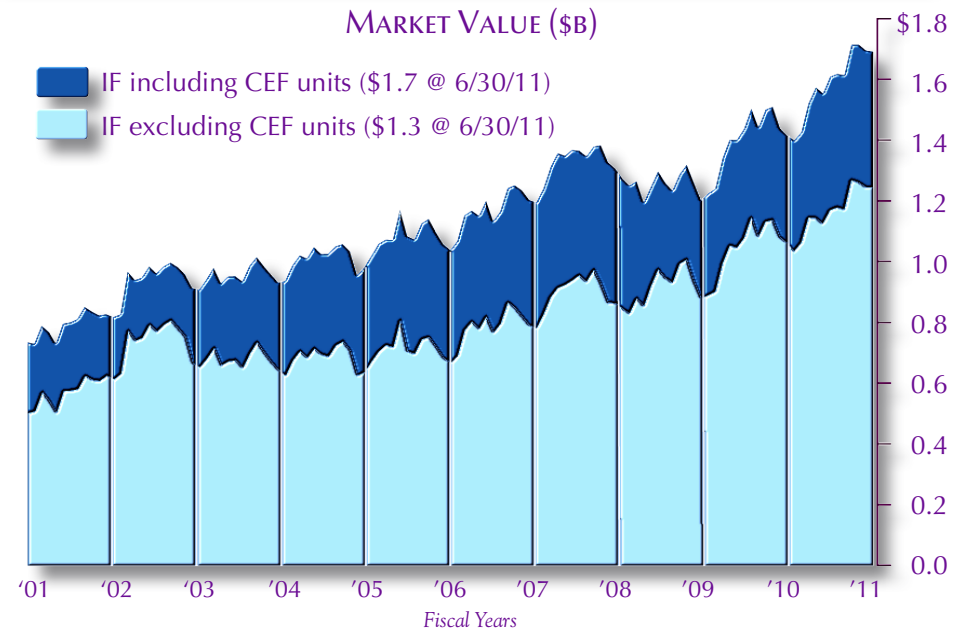
FUND ALLOCATION BY POOL (\$M)

	Fund Allocation		Range	Duration in Years	
				Actual	Maximum
Cash Pool	\$543	32%	10%–40%	0.5	3.0
Liquidity Pool	\$711	42%	30%–60%	3.6	4.2
Total Cash & Liquidity Pool	\$1,254	74%			
CEF Units held by IF	\$447	26%	15%–40%		
Total Invested Funds	\$1,701	100%			

MIX OF INVESTMENTS



MARKET VALUE (\$B)



CEF SPENDING UPDATE FOR THE QUARTER ENDING JUNE 30, 2011

New Policy, Approved October 21, 2010

Distributions to programs are equal to 4% of a five-year rolling average. The five-year averaging period will be implemented incrementally. The administrative fee of 1%, which supports Investments (.2%) and Advancement (.8%), is based on the same average value as program distributions.

Historical and Projected Results of Spending Policy Decisions (\$k)

	FY 2008	FY 2009	Interim FY 2010	FY 2011
Beginning Market Value	\$2,073,519	\$2,161,438	\$1,649,159	\$1,829,868
Distributions ¹	\$94,314	\$75,478	\$59,015	\$75,688
Effective Spending Rate	4.5%	3.5%	3.6%	4.1%
Administrative Fees ²	\$21,331	\$18,004	\$17,908	\$19,703
Effective Spending Rate Including Fees	5.6%	4.3%	4.7%	5.1%
Total Return	2.0%	-23.3%	12.5%	16.0%

¹ Actual distributions are administered on a quarterly and per unit basis. New gifts are added quarterly and receive payouts at the next distribution date.

² Administrative fees supporting Advancement (80 bps) and Treasury (20 bps) were based on prior quarters' market value prior to the new spending policy.

Fiscal Year Additions(\$k)

Fiscal Years	Additions Excluding Operating Funds	Additions as % of Beginning Market Value
2008	\$106,989	5.1%
2009	\$93,501	4.3%
2010	\$48,331	2.9%
2011	\$68,268	3.7%

Per Unit Distributions FY '08–FY '11

	Year-Over-Year Payout Per Unit	Change
FY08 Four Quarter Total	\$4.176	NA
FY09 Four Quarter Total	\$3.132	-25%
FY10 Four Quarter Total	\$2.349	-25%
FY11 Four Quarter Total	\$2.852	+20%